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No. 05-1332

IN THE

Supreme Court of the United States

CLARE MILNE, by and through Michael Joseph Coyne, her Receiver,

Petitioner,

v.

STEPHEN SLESINGER, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

SUPPLEMENTAL BRIEF IN RESPONSE TO THE SUPPLEMENTAL BRIEF FOR PETITIONER

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Pursuant to Supreme Court Rule 15.8, Respondent Stephen Slesinger, Inc. ("Slesinger") submits this Supplemental Brief in response to the Supplemental Brief for the Petitioner ("Pet. Supp. Br.") recently filed by Petitioner Clare Milne.

A. The District Court's Interlocutory Decision In *Steinbeck v. McIntosh & Otis, Inc.*, Does Not Provide A Basis For Granting The Petition

In her submission, Petitioner argues that an interlocutory decision of a district court in *Steinbeck v. McIntosh & Otis, Inc.*, No. 04-CV-5497, 2006 WL 1586547 (S.D.N.Y. June 8, 2006), "reinforces the need" for granting the Petition. Pet. Supp. Br. at 1. Contrary to Petitioner's arguments, the *Steinbeck* decision does not evidence any split among the Circuits regarding the termination provisions of the Copyright Act and does not strengthen the merits of the Petition; if anything, the decision further supports Slesinger's view that the Petition should be denied.

In *Steinbeck*, the court held that the author's son and granddaughter could terminate the author's 1938 grant to a publisher of publishing rights in certain of the author's works, notwithstanding the fact that the author's widow purported to make a subsequent grant to the publisher of the same rights in the works in 1994 (the "1994 Agreement"), which the publisher claimed had the effect of precluding a statutory termination. Supp. App. at 9a.[1] Petitioner claims that such facts are "strikingly similar" to those in this case. Pet. Supp. Br. at 4. But as Petitioner did with respect to *Larry Spier, Inc. v. Bourne Co.*, 953 F.2d 774 (2d Cir. 1992) ("*Spier*"), and *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002) (*see* Slesinger's Brief in Opposition at 23-27), Petitioner has ignored key factual

1. Citations to "Supp. App." are to the *Steinbeck* decision as reproduced in the Appendix to Petitioner's Supplemental Brief.

distinctions between the cases and relies on *dicta* instead of the true holdings.

For example, while the court in *Steinbeck* noted that the 1994 Agreement between the author's widow and the publisher purported to "'cancel[] and supercede[] the previous agreements . . . for the Works,'" Supp. App. at 9a, the court held that the agreement "*expressly preserve[d]* Section 304 termination rights" and "acknowledge[d] that such rights . . . *could* be exercised in the future . . . ," *id.* at 10a n.24 (emphasis in original).[2] Thus, the Court held—*as a matter of contract interpretation*, and not any principle of copyright law—that the publisher's interpretation of the 1994 Agreement was directly contradicted by the express terms of the agreement itself. *Id.* at 9a-10a. ("The contention that the 1994 Agreement extinguished the very termination right that it expressly acknowledges both exists and flows from the 1930s copyrights necessarily fails."). Unlike the 1994 Agreement in the *Steinbeck* case, the 1983 Agreement between Christopher Milne, Slesinger, Disney and the beneficiaries of the Trust unequivocally and unconditionally revoked the prior grant and did not purport to preserve any statutory termination right. (Petitioner also has never advanced an argument that the 1983 Agreement preserved termination rights and she cannot do so now.) Thus, the court's interpretation of the contract in *Steinbeck* is irrelevant and its holding is inapposite.[3]

2. The version of the *Steinbeck* opinion reprinted in the Appendix to Petitioner's Supplemental Brief misnumbers the footnotes. (The footnotes begin at number "2" rather than number "1".) For the Court's ease of reference, we use herein the misnumbered footnote references from Petitioner's Supplemental Appendix rather than the correct footnote references from the original opinion.

3. Petitioner's reliance on the *Steinbeck* court's comments regarding the termination of certain rights granted to Paramount Pictures, (Cont'd)

Another crucial distinction between the facts of the *Steinbeck* case and the case at bar is that in *Steinbeck*, as in *Spier*, the author did not own any copyright interest in his works when he purported to bequeath such copyrights to his widow in 1968. *Compare Steinbeck*, Supp. App. at 10a n.22 ("[The widow] did not inherit any interest in the book publishing rights Steinbeck granted to Penguin in 1938 because Steinbeck did not own those rights when he died. Rather . . . Steinbeck had only a contractual right to receive monies pursuant to" his agreement with Penguin) *with Spier*, 953 F.2d at 777 ("*We hold only* that, in view of the unqualified and unambiguous language of the assignment agreement, [the songwriter] did not have any 'right under' the renewal copyrights remaining at the time he executed the Will.") (emphasis added). Thus, Steinbeck's widow had no basis in 1994 to rescind the author's prior grant of rights to the publisher. *Steinbeck*, Supp. App. 10a. Here, unlike the testamentary trust in *Spier* and the widow in *Steinbeck*, who

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(Cont'd)

Inc. ("Paramount") is even more misplaced. Paramount initially argued that the author's son Thom and granddaughter Blake had no termination rights to exercise in 2004 based on a 1983 agreement in which the author's widow (Elaine), Thom, and Blake's father agreed that the widow exclusively would control the copyrighted works, including the termination rights in such works. Supp. App. at 13a n.29. The agreement in *Steinbeck*—in which potential holders of future termination rights purported to give those termination rights to another—has nothing in common with the agreement between Christopher Milne, the Trust, Disney and Slesinger here, in which the Trust as copyright owner revoked a prior license to Slesinger and entered into a new arrangement with Slesinger under far better terms for the Trust beneficiaries. In any event, as Petitioner concedes, the *Steinbeck* court determined that Paramount had waived all substantive defenses to the validity of the termination notices, Supp. App. at 14a, and thus any comment the Court made on the validity or invalidity of the agreement between the author's heirs is pure *dicta*.

each received no copyright interest by will because the authors had divested themselves of all copyrights in their works before death, the Trust beneficiaries were the undisputed recipients of A.A. Milne's valid and effective bequest of the renewal copyrights to the Pooh Works.[4] *See* App. 5a.[5] Under the express terms of Sections 304(c) and (d) the Copyright Act, this bequest is not subject to termination because it is a transfer "by will." Thus, the Trust beneficiaries, as the owners of the renewal copyrights in the Pooh Works, unquestionably had the right to revoke A.A. Milne's prior *license* to Slesinger and to make a new grant.

The *dicta* that Petitioner relies on (and treats as the *Steinbeck* court's holding) also is inapposite. In *Steinbeck*, after finding that the 1994 Agreement expressly preserved the heirs' statutory termination right, the district court went on to criticize any interpretation of the 1994 Agreement that would have permitted the author's widow (his third wife) to extinguish the statutory termination rights of the author's son and granddaughter (each from the author's second marriage) where neither the son nor the granddaughter was a party to the agreement. Supp. App. at

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4. Petitioner repeatedly conceded this point in the Petition. *See* Petition at 2-3 ("When Milne died in 1956, he bequeathed his ownership of *the copyrights* . . . to the Milne Trust" which "was succeeded in ownership of *the copyrights* to the Pooh Works by the Pooh Properties Trust ('Trust')."") (emphasis added); *id.* at 7 ("[T]he Trust . . . had obtained ownership in *the copyright* to the Pooh Works by bequest from Milne.") (emphasis added, internal cross-reference omitted); *id.* ("[A]lthough the Trust owned, by bequest, *A.A. Milne's copyrights* in the Pooh Works. . . .") (emphasis added); *id.* at 18 ("The Trust . . . *owned the copyrights* in the Pooh Works, so only the Trust could 'regrant' the rights in those works to [Slesinger].") (emphasis added); *see also* ER 90 ¶ 1.

5. Citations to "App." are to the Appendix of the original Petition.

10a n.24 ("Neither Thom nor Blake was a party to the 1994 Agreement. . . . Any interpretation of the 1994 Agreement having the effect of disinheriting the statutory heirs to the termination interest . . . must be set aside. . . ."). But there is no such intra-family drama here. Rather, the undisputed facts show that the author's son, Christopher Milne, entered into the 1983 Agreement specifically for Petitioner's benefit and that as a "prime beneficiary" of the Trust, Petitioner herself effectively was a party to the agreement. App. 6a-7a, 14a. Accordingly, the concerns raised by the *Steinbeck* court in *dicta* have no application to this case.

Even if the decision in *Steinbeck* conflicted with the Ninth Circuit's decision in this case—and for all the reasons explained above, it does not—this still would not provide a basis for granting the Petition. The interlocutory decision of one district judge—which does not even mention, much less attempt to distinguish or criticize, the Ninth Circuit's decision below—does not constitute "a decision in conflict with another United States court of appeals on the same important matter" under Supreme Court Rule 10(a). In an attempt to avoid this fact, Petitioner claims that "the district court's decision in *Steinbeck* shows that the Ninth and Second Circuits are in conflict" because the *Steinbeck* court allegedly "relied on the Second Circuit's ruling in *Spier* to reach its conclusion that Steinbeck's statutory authors retained their termination right." Supp. Pet. at 5. This tortured argument fails.

The *Steinbeck* court merely cites *Spier*, among several other cases, in its overview of the statutory termination provisions; it *does not* cite *Spier* to support either its true holding (i.e., that the 1994 Agreement, by its very terms, preserved statutory termination rights) or the *dicta* relied on by Petitioner (i.e., that even if the 1994 Agreement could be interpreted otherwise, it would be an "agreement to the contrary" under Section 304(c)(5)

of the Copyright Act). Moreover, it bears repeating that the holding in *Spier* itself was expressly limited to the Court's interpretation of the contract at issue in that case and thus does not relate to or conflict with any holding of the Ninth Circuit. *See* Slesinger's Brief in Opposition at 24 (discussing *Spier*). The *Steinbeck* court's reference to *dicta* in *Spier* in a general discussion of the termination provisions simply cannot support a finding that there is an inter-Circuit conflict.

The decision in *Steinbeck* illustrates that the law regarding the circumstances in which statutory termination may be exercised is developing among the lower courts based on the unique factual circumstances that are presented in each case. Presumably, the Second Circuit will have the opportunity to determine whether the *Steinbeck* decision was, in its view, correctly decided by the district court. And if and when the Second Circuit considers the *Steinbeck* decision, it may also address *Spier* and the Ninth Circuit's decision in this case. But any consideration by *this Court* of an interlocutory decision of a district judge before the Second Circuit has conducted its own review of the case would be premature.

B. The Misstatements In Petitioner's Reply Brief Relate To A Key Distinction Between *Spier* And This Case

Petitioner's Supplemental Brief also attempts to respond to Slesinger's first Supplemental Brief, which uncovered three misstatements of fact in Petitioner's Reply Brief relating to Petitioner's mischaracterization of the rights that A.A. Milne granted to Slesinger in the 1930s and the rights that A.A. Milne bequeathed to the Trust beneficiaries by will. Petitioner admits (as she must) that the misstatements were made, but now claims that they relate to "a distinction without a difference." Pet. Supp. Br. at 5. At the outset, this proffered excuse begs the question: Why did Petitioner see the need to misstate the facts in the first

place? Moreover, Petitioner's attempt to downplay the significance of the misstatements is nothing more than a further attempt to distract and confuse the matters that the Petition asks this Court to analyze and decide. The only issue here is whether there is a "compelling need" for this Court to review the Ninth Circuit's ruling under Sections 304(c) and (d) upholding the legality of the parties' contractual actions with respect to a 1930s copyright license where these actions, taken after January 1, 1978, were expressly endorsed by Congress when it created the termination provisions at issue.

Petitioner bases her claim that her misstatements were irrelevant upon the definition of "transfer of copyright ownership" in the current version of the Copyright Act, which, according to Petitioner, equates assignments of copyright rights with licenses of copyright rights. *See* Pet. Supp. Br. at 5-6 (citing 17 U.S.C. § 101). But this is a non-sequitur having nothing to do with the question whether the Trust owned a copyright interest in the Pooh Works that entitled the Trust beneficiaries to revoke A.A. Milne's prior grant to Slesinger. The definition cited by Petitioner first appeared in the Copyright Act of 1976, which had an effective date of January 1, 1978, *see* Transitional and Supplementary Provisions of the Copyright Act of 1976, Pub. L. No. 95-533, 90 Stat. 2541, Sec. 102; it did not appear in and does not apply to the 1909 Copyright Act, which is the version of the Copyright Act that was in effect when AA. Milne created the Pooh Works, when he granted certain limited rights in the works to Slesinger in the 1930s, and when he bequeathed the renewal copyrights in the works to the Trust beneficiaries upon his death in 1956.

Under the 1909 Act, copyright ownership was indivisible, and it was not possible for a copyright owner to assign separately "any of the exclusive rights that go to make up a copyright." H.R. Rep. No. 94-1476, at 123 (1976) (noting that the 1976

Copyright Act "contains the first explicit statutory recognition of the principle of divisibility of copyright in our law"). As explained by Professor Latman, "[t]he indivisibility concept mandated a single owner or proprietor of copyright at any one time; all others having an interest under copyright were deemed licensees." William F. Patry, *Latman's The Copyright Law* at 126 (6th ed. 1986). As Petitioner now concedes, A.A. Milne's grant of rights to Slesinger in the 1930s was a license. Thus, there can be no dispute that when A.A. Milne licensed certain rights in the Pooh Works to Slesinger in the 1930s, he retained ultimate ownership of the copyrights, including the renewal copyrights, in the works. There also can be no dispute that A.A. Milne bequeathed such retained copyright ownership interest in the Pooh Works to the Trust.

The significance of A.A. Milne's valid bequest of the renewal copyrights is that under the express language of the termination provisions at issue in this case, A.A. Milne's pre-1978 transfer of the renewal copyrights to the Trust "by will" cannot be terminated. 17 U.S.C. §§ 304(c), (d); *see* Slesinger's Brief in Opposition at 16. The 1976 Copyright Act's definition of what constitutes a "*transfer* of copyright ownership" (emphasis added) applicable to grants made *on or after* January 1, 1978 simply has no bearing on the issue of *what rights* in the Pooh Works were transferred "by will" *before* January 1, 1978 for purposes of Sections 304(c) and (d).[6] Accordingly, the

6. Although Petitioner has not argued that the definition should be applied retroactively to deprive the Trust of its ownership of the renewal copyrights, any such argument would fail. *Cf. Roth v. Pritikin*, 710 F.2d 934, 937 (2d Cir. 1983) (holding that new work-made-for-hire definitions in 1976 Copyright Act did not apply retroactively to pre-1978 works). Moreover, Slesinger notes that while the defined phrase appears in several provisions of the 1976 Copyright Act, *see* 17 U.S.C. §§ 204, 205, 702, 708(a)(4), it does not appear in *any* of the termination provisions, which refer simply to "transfers" as opposed to "transfers of copyright ownership," *see* 17 U.S.C. §§ 203, 304(c), 304(d).